

## **Public Facilities Financing Plan**

### **General**

This report will update the Public Facilities Financing Plan (Financing Plan) and the Facilities Benefit Assessment (FBA) for development that will occur in the precise plan area known as Rancho Encantada.

This Public Facilities Financing Plan has been prepared to ensure that all properties which are not yet developed will pay their fair share of the cost of funding the needed public facilities, even if the subject property has an approved tentative or final map detailing its development. In order to fulfill that requirement, this Financing Plan contains a development forecast and analysis, a Capital Improvement Program listing public facility needs and specific facilities benefit assessment recommendations.

### **Development Forecast and Analysis**

#### **Inventory**

As with the FY 2002 Financing Plan, the anticipated residential forecast for Rancho Encantada has been maintained at 934 residential dwelling units. Further changes in the anticipated buildout of residential development will be the subject of future annual updates to the Financing Plan.

Likewise, as with FY 2002 Financing Plan, the amount of 2,118.5 acres of the total 2,658 acre Rancho Encantada precise plan area is to be retained in open space. The other development areas include 14.0 acres for neighborhood parks, 14.6 acres of institutional land uses, and 33.6 acres for primary roadways.

#### **Population Factors**

As part of the FY 2006 Financing Plan, when determining the population-based public facilities requirements, the Park and Recreation Department has utilized a population factor of 3.7 persons per household for single family dwelling units and 2.5 persons per household for multi-family dwelling units. No change in this methodology is proposed as part of this update.

#### **Population at Buildout**

Based upon a utilization of the population factors discussed above, the population at buildout of Rancho Encantada remains the same as before and has been calculated at 3,328. The graph provided as Figure 2 illustrates the proposed rate of population growth that is anticipated by this Financing Plan.

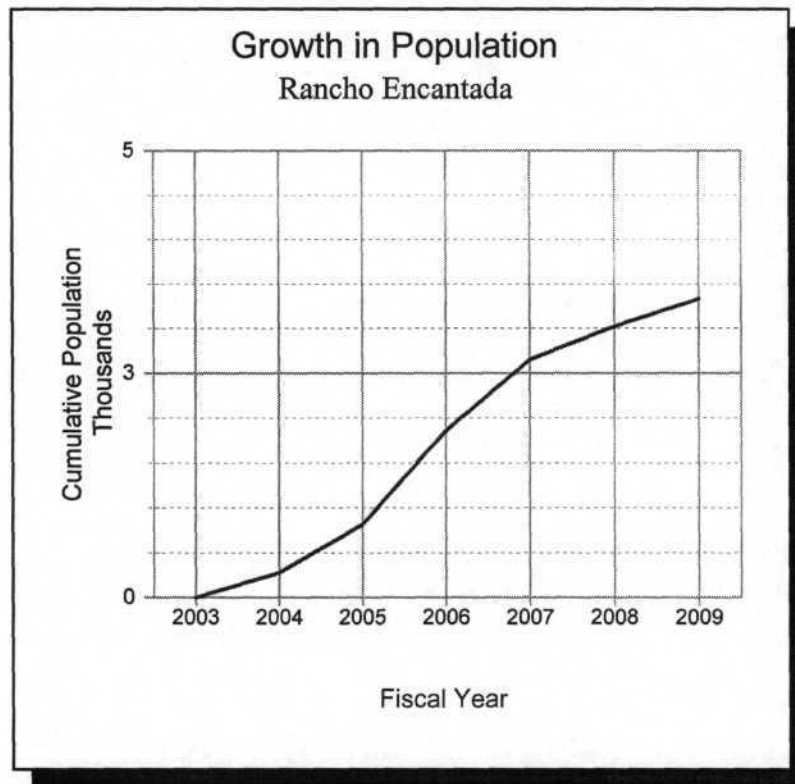


Figure 2 - Proposed Population at Buildout

### Annual Review

It should be noted that development projections are based on the best estimates of the property owners, developers and City Staff as to how they see the future land market. Obviously, certain economic events could preclude development from taking place as forecasted. High interest rates, higher land and housing prices, an economic recession or, conversely, a period of robust business expansion could all significantly change the rate of development in Rancho Encantada, as well as for all of the San Diego area. The forecast included in the Financing Plan assumes a peak absorption rate of residential housing units at approximately 200-250 dwelling units per year. To ensure that this program maintains its viability, an "Annual Review" of the Financing Plan will be performed and recommended actions, in response to the actual activity of development, will be presented to the City Council. The Annual Review is required as

part of the FBA Ordinance in the Municipal Code. The Annual Review will include, but not necessarily be limited to, the evaluation of the following factors:

1. Rate of inflation
2. Interest rates
3. An evaluation of each Capital Improvement Project to determine which project(s) shall be constructed in the next fiscal year, as well as for the remainder of the life of the Financing Plan.
4. Cost of all facilities
5. Rate and Amount of Development
6. A comparative analysis of City approvals of Discretionary Permit Applications during the past fiscal year with the previously budgeted rate of development.

### **Future Public Facility Needs**

Public facilities are required in a number of project categories in order to serve the Rancho Encantada community. These categories include: (i) transportation, (ii) parks and recreation, and (iii) sewer/water utilities, as more fully described in the Financing Plan. The locations of these projects are depicted in Figure 3 and are summarized in Table 9. They are also described in more detail in the following Capital Improvements Program (CIP) project sheets which follow Table 9. The current development schedule is illustrated in Table 1 and the timing associated with individual projects is illustrated in both Table 9 and on the corresponding CIP project sheets.

### **Population Projections**

A number of public facilities projects are based on the anticipated population to be served within a certain service area. As shown on Figure 2, the projected population growth for Rancho Encantada can be illustrated in graphic form utilizing the population factor cited above and the Residential Development Schedule, as shown in Table 1. From this graph, one can determine the timing for each of the population-based public facility projects. The timing for these population-based public facilities is based on standards set forth in the City's General Plan.

### **Financing Strategy**

General Plan and City Council Policy provide that the primary responsibility for providing needed public facilities in Planned Urbanizing Areas rests with the developers. Of the needed public facilities, the major portion will be constructed as a part of the subdivision process by

developers. Public facilities projects that benefit a population larger than the local/adjacent development can also be financed by the following alternative methods:

1. Facilities Benefit Assessment (FBA) - This method of financing spreads costs fairly and equally and follows the procedures specified in City Council Ordinance O-15318, as adopted on August 25, 1980. FBAs result in liens being levied on each parcel of property located within the Area of Benefit. While these liens ensure that assessments will be collected on each parcel as development occurs, the liens must be renewed annually with each update to the Financing Plan and must be released following payment of the FBAs.
2. Development Impact Fee (DIF) - This method of financing is similar to that of an FBA in that the costs are spread fairly and equally. Unlike an FBA, a Development Impact Fee does not create a lien on the property benefitting from the collection of fees.
3. Assessment Districts - Special assessment financing, such as 1913/1915 Assessment Acts, may be used as a supplementary or alternative method of financing some facilities such as streets, sidewalks, sewers, water lines, storm drains and lighting facilities. Assessment Districts are beneficial in that they provide all of the funding for a particular public facilities project in advance of the projected development activity. However, such districts create a long term encumbrance of the benefitting property requiring that the funds be paid back over an extended period of time. Assessment Districts also require the approval of a majority of the property owners in order to establish the district.
4. Community Facility District (CFD) - State legislation, such as the Mello-Roos Act of 1982, has been enacted for providing methods of financing public facilities in new and developing areas. The formation of such Community Facility Districts may be initiated by owner/developer petition. Mello-Roos districts also require the approval of a majority of the property owners in order to establish the district, as clarified by Council Policy 800-3.
5. Developer Construction - New development either constructs required facilities as a condition of subdivision or provides funds for its fair share of the costs of such facilities, with construction being performed by the City. Typically, these funds are collected

through the Facilities Benefit Assessment Program or through the Development Impact Fee Program.

As an alternative to the Facilities Benefit Assessment or Development Impact Fee Programs it may be feasible for developers to construct one or more of the needed public facilities in a turnkey basis. Under this arrangement, developers typically are compensated, either by cash or credit against Facilities Benefit Assessments due, for the work performed pursuant to the conditions in a Council approved reimbursement agreement (Council Policy 800-12).

6. Reimbursement Agreement - This method of financing is outlined in Council Policy 400-7 and is commonly used when the first developer/subdivider in an area is required to construct the necessary water and sewer facilities for the entire area, over sizing as required to serve subsequently developed lands. These agreements are administered by the Development Services Department and approved by the City Council. Reimbursement to the first developer/subdivider can occur over as long as a twenty year period or until all of the subsequently developed lands have participated in the reimbursement, whichever occurs first.
7. State/Federal Funding. Certain public facilities may be determined to benefit a regional area which is larger than the Community Planning area. As such, these projects may appropriately be funded by either the State or Federal Government or by a combination of the two.
8. Cost Reimbursement District. This reimbursement method provides an opportunity for an individual developer/subdivider who has been directed to construct public improvements that are more than that required to support its individual property/development to be reimbursed by other properties benefitting from said improvements. Said reimbursement is secured by a lien on the benefitting properties with the lien due and payable only upon recordation of a final map or issuance of a building permit, whichever occurs first.
9. Development Agreement. This method permits a developer to enter into an agreement with the City of San Diego where certain rights of development are extended to the developer in exchange for certain extraordinary benefits given to the City.

## **General Assumptions and Conditions**

In connection with the application of the above methods of financing, the following general assumptions and conditions have been applied.

1. Developers will be required to provide facilities normally provided within the Subdivision Process as a condition of tentative subdivision map approval, including, but not limited to, traffic signals (except as noted), local roads, and the dedication or preservation of Open Space located within the proposed development(s). Such projects, however, may be funded by the formation of a Mello-Roos, 1913/15 Act, or other type of Reimbursement District, if the project(s) and the applicant(s) qualify for this type of project financing.
2. Commercial, industrial, and institutional land will be assessed FBAs for infrastructure (including transportation), police, fire, and utility facilities. However, developers of commercial and industrial land will not be assessed for park and recreation or library facilities since those facilities primarily serve the residential component of the Rancho Encantada community. In the future, if a basis is developed for charging non-residential development for the cost of park and recreation and library facilities, their fare share can be evaluated at that time.
3. Annual reviews, as required by the FBA Ordinance, will be performed by the City Council to evaluate performance of the program and to reassess the on-going commitments pertaining to the completion of needed facilities. Costs and assessments shall be evaluated for all remaining portions of the program.
4. The FBA will be paid by the Developer or permittee as a condition of issuance of Building Permits.
5. A developer, or group of developers, can propose to build or improve a specific facility identified in the Capital Improvements Program as being funded by the FBA and, upon City Council approval, enter into an agreement to provide the facility in lieu of, or as credit against payment of FBA fees, provided adequate funding is available. The amount and timing of the credit being sought by the developer(s) must coincide with the expenditure of funds depicted on the CIP sheet for the respective project. Should



the approved final cost of the facility exceed the amount of credit being sought by the developer(s), the developer(s) may be reimbursed for the difference from the FBA fund, subject to the availability of funds. Subject to the terms of the reimbursement agreement, should two developers be entitled to cash reimbursement during the same fiscal year, the first agreement to be approved by the City Council shall take precedence over subsequent agreements approved by the City Council.

6. The FBAs collected shall be placed in a City fund providing interest earnings for the benefit of the Rancho Encantada community area.
7. The Development Schedule, as depicted in Table 1, is only an estimated schedule and is based on information available at the time this Financing Plan was adopted. Future approvals and/or modifications of precise plans and/or discretionary permit applications may either increase or decrease the extent of development proposed within Rancho Encantada. The Financing Plan makes no attempt to regulate the amount of development proposed for Rancho Encantada. Rather, as development applications are considered and approved for this area, the Financing Plan will be modified, as part of its annual review process, to reflect the number of units authorized for the area.
8. Most community public facilities identified in the Financing Plan are either "population based" or "transportation based". The estimated year(s) in which funds are budgeted for a given project should not be considered as a binding commitment that the project will actually be constructed in that year. With each annual update, actual permit activity and corresponding population projections, together with additional information obtained since the last update, will be evaluated to determine the most appropriate year to budget the need for each remaining project. As such, the budgeted year for a given project is subject to change with each update.
9. For this Financing Plan, all projects that require land acquisition, assume property values at \$400,000 per acre. Land values is based on the property being pre-graded, in finish pad condition and ready to accept the project for which it is intended (i.e. the value of raw land plus the cost of improvements = \$400,000). The actual price paid for land within Rancho Encantada, however, will be based on either a price established through direct negotiations between the

affected property owner(s) and relevant public agency or by fair market value, as determined by an appraisal which will be prepared in accordance with standard City policy. Hence, the actual price paid for land within Rancho Encantada may be at an amount other than that budgeted for this purpose, i.e. some land may be acquired for a higher price while other land could be acquired for less – this is only an average value. Future annual updates will reflect any changes in this value, as values are established through negotiations or appraisals are prepared for properties located in this area. As such, nothing in this Financing Plan should be construed that the City has pre-approved the value of the land to be acquired.

10. The reimbursable expenses that a developer, who enters into an agreement with the City to build or improve a specific facility identified in the Capital Improvements Program as being funded by the FBA may include, but not limited to, any right-of-way acquired through negotiation and/or condemnation by either developer or the City, environmental mitigation costs related specifically to the project, construction costs for all public improvements including, but not limited to roadway improvements, grading and storm drain facilities located within the right-of-way, landscaping, traffic control devices and signs, design services, engineering, professional services, appraisal costs, environmental reports, soils testing, legal services, surveying, project administration, construction management and supervision, insurance premiums, bonds, and all other fees and charges, including, but not limited to, permit fees, inspection fees, etc. The specifics of what is to be credited and/or reimbursed shall be as set forth in the reimbursement agreement.
11. A number of projects in the previous Financing Plan were identified as being funded by the FBA. With this annual update, only the Neighborhood Park No. 1 and the Neighborhood Park No. 2 will now be funded by the FBA. The other previously identified FBA-funded projects will now be provided as a subdivider improvement. Table 8 illustrates how each of these projects that are now to be funded as a subdivider improvement will be assured by the developer(s) of Rancho Encantada.



**Table 8: How Former FBA-Funded Projects  
Will Be Assured**

Proj. No.	Description	How Assured?	Status?
T-2	Stonebridge Parkway (Mod. 2-Lane Collector) (formerly Rancho Encantada Parkway)	Construction shall be assured by permit and bond	Westerly Portion Constructed; Central Portion Assured <sup>3</sup> -under construction; Easterly Portion Pending <sup>4</sup>
T-3	Old Creek Road (2 Lane Rural Roadway) (Secondary Fire Access Road)	Construction shall be assured by permit and bond	Assured <sup>5</sup> , Under construction
T-5	Traffic Signal - Stonemill Drive at Pomerado Road	Funding provided to City of Poway <sup>6</sup>	Assured; Will be constructed when intersection meets warrants
T-6	Pomerado Road eastbound at I-15 northbound off-ramp	Funding provided to Caltrans <sup>7</sup>	Assured <sup>8</sup>
T-7	I-15 northbound off-ramp to Pomerado Road	Funding provided to Caltrans <sup>9</sup>	Assured
T-8	Pomerado Road/Scripps Poway Parkway Intersection Improvement	Funding provided to City of Poway <sup>10</sup>	Assured

<sup>3</sup>Dwg 31932-D, Permit W-51888

<sup>4</sup>Dwg 32529-D; Permit to be issued Spring 2005

<sup>5</sup>Dwg 31932-D, Permit W-51888

<sup>6</sup>Letter from the City of Poway contained in the Appendix.

<sup>7</sup>Caltrans letter and Contribution Agreement contained in the Appendix.

<sup>8</sup>Dwg. 32155-D, Permit W-51476

<sup>9</sup>Caltrans letter and Contribution Agreement contained in the Appendix.

<sup>10</sup>Letter from the City of Poway contained in the Appendix.

Proj. No.	Description	How Assured?	Status?
T-9	Spring Canyon Road between Scripps Ranch Boulevard and Pomerado Road	Developer to fund account at 301 <sup>st</sup> building permit with \$35,000 deposit and provide \$750,000 at 501 <sup>st</sup> building permit	Pending issuance of 301 <sup>st</sup> permit
P-3	Bicycle/Pedestrian/Equestrian Trail System	Construction shall be assured by permit and bond prior to recordation of the subdivision map in which the trails are located.	West Segment under construction; Balance of system pending mapping activity.

Table 8 - How Former FBA-funded Projects Will Be Assured

### **Developer Advance**

Subject to the terms of a reimbursement agreement, a developer may actually start construction of a project before there are FBA funds available to provide either a cash reimbursement or credit against the developer's obligation to pay FBA fees. In other words, the "need" for the project may occur before there are FBA funds available to cover the costs of the project. In addition, a developer may have accumulated credits from one or more other FBA-funded projects such that he is unable to use credits as fast as he has earned them. In such cases, the CIP sheet for a given project will show the fiscal year in which it is anticipated that the developer will advance the cost of the project as a "Developer Advance" ("DEV.ADVANCE") and reimbursement in the fiscal years in which it is anticipated that funds would be available or when it is anticipated that the developer would take credits against his obligation to pay FBA fees. Subject to the actual availability of funds, the year(s) in which reimbursement or credit for the Developer Advance is shown may be accelerated to the fiscal year in which the Developer Advance is extended.